

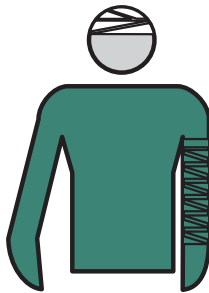
Workers' Comp Often Overlooked —Until Needed

But Guaranteed Safety Net Program for Injury, Illness is Major Battleground for Business, Labor

In last quarter's AET, an article discussed the types and frequency of workplace injuries and illnesses. In this issue, the flip side of workplace accidents and illnesses, workers' compensation insurance, is discussed.

Second of Two Parts

Most employees probably give little thought to workers' compensation insurance — until they are injured or permanently disabled. When considering a job, items typically given priority are wages and chance for



advancement, primary benefits (such as health insurance, retirement plans, vacation), and location and quality-of-life issues. Signing a form ac-

cepting workers' comp insurance is just one of several pieces of paperwork a new hire is inundated with when starting a new job.

On the other hand, you can be sure that employers don't take workers' compensation for granted when hiring a new employee. Workers' compensation, or a form of state-mandated workers' disability and medical insurance, is a major cost of doing business for U.S. companies, who without it would be susceptible to frequent and expensive lawsuits and an increased risk of going out of business. In most cases, employers will not hire someone who refuses to accept workers' compensation insurance.

In many ways, workers' comp is like no-fault insurance. At the beginning of the century — when workers frequently lost their lives or were permanently disabled — employers and employees made a pact between each other in the form of workers' compensation insurance. For agreeing not to sue their employer for work-related injuries — no matter which side is at fault — employers agreed to take care of a worker's medical care and pay disability or death benefits through workers' comp insurance. It was a good deal for each side, because it saved injured workers and their families from a possible life of poverty and it reduced for employers the chance of costly civil litigation.

In Arizona, workers' compensation was actually written into the state's Constitution in 1912 before being codified into law in the early 1920s. Article XVIII of the Arizona Constitution says in part: "The Legislature shall enact a Workers' Compensation Law applicable to workmen engaged in manual or mechanical labor ... by

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Job Growth Should 'Moderate'

However, State's Services-Led Economy is Still Projected to Create 134,000 New Jobs Over Two-Year Period

Much of the economic data from 1997 show the U.S. economic expansion is still under way and charting a path into the new millennium. Simply stated, the nation's unemployment rate continued to fall, nonfarm payroll jobs continued to expand, average weekly hours of nonfarm workers (goods- and service-producing) were

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(continued on page 9)

which compensation shall be required to be paid to any such workman, in case of his injury and to his dependents, as defined in law, in case of his death, by his employer. ...'

In fact, today it is a felony for an Arizona employer to fail to provide workers' comp insurance. Arizona law specifies "that all employers who have any workers regularly employed under contract or hire (except domestic servants) must be insured. This means that even if you have just one employee, full- or part-time, you must have workers' compensation insurance."¹

The workers' compensation mandate, however, is not a total two-way street. While providing workers' comp insurance is mandatory for all (private and public) employers, workers in Arizona's private sector can *reject* workers' comp and "retain the right to sue said employer or any person employed by said employer ..."² This is not a widely used or known option, however, because most companies will not agree to hire someone if that person refuses to accept workers' comp. And after they are hired — when they are legally protected from being fired for refusing workers' comp insurance — most employees (if they are aware of their options) are not willing to raise the ire of their employer or take the risk of being uninsured at work by formally writing a letter asking to "opt out" of workers' comp.

On the other hand, a company's liability for worker injuries is *not absolute*. There are a number of exceptions — such as a worker being intoxicated or under the influence of drugs — that can void or limit a company's responsibility (see Table 2). And at the same time, there are instances when someone who accepts workers' comp also maintains the right to sue. An example of this exception could be an injury that occurs due to faulty construction of a building or piece of equipment where a person works.³

Table 1

Glossary of Workers' Compensation Insurance Terms

- Dividend — A return of premium, calculated after policy expiration, based on the overall performance of the insurance company or of a group of insureds.
- Experience Modification Factor — An adjustment to the Manual Premium, calculated by a rating bureau such as NCCI, based on historic loss and payroll data of a particular insured.
- Manual Premium — Workers' Compensation premium calculated by multiplying payrolls by appropriate rates, before application of Experience Modifier, Schedule Credit, or Premium Discount.
- NCCI — The National Council on Compensation Insurance — the organization responsible in many states for determining proper Workers' Compensation classifications, Experience Modification Factors, and collecting data used for ratemaking.
- Primary Losses — In the Experience Modification Factor, the first \$5,000 of any single loss.
- Standard Premium — Premium after application of Experience Modifier and Schedule Credit or Debit, but before Premium Discount.
- Assigned-Risk Plan — Any employer who is refused coverage by the State Compensation Fund and two or more insurance carriers shall be placed in an assigned risk pool. All workers' comp insurers must participate in the assigned-risk plan.
- Voluntary Market — Workers' Compensation insurance written outside of the Assigned-Risk Plan.

Source: Copyright © Nolo Press

How "Comp" Works Insurance Portion

In most states (including Arizona) employers purchase workers' comp coverage from an insurance company, also known as an "insurance carrier," or a state-backed compensation fund. And in some states (including Arizona) large employers who are considered "solvent" are allowed to "self-insure," or act as their own insurance company.⁴ While this method can save a company money when claims are low, it can also backfire when claims are soaring. For example, a self-insured Phoenix-based, temporary-help agency was forced to take a \$10 million loss in the fourth quarter of 1997 primarily because it

underestimated the cost of self-insuring its employees.⁵

Unlike most other types of insurance, employers pay "basic" or "manual" rates established by a national workers' compensation insurance rating bureau, or NCCI. Individual carriers can then file "deviations" from basic rates — unless the Arizona Department of Insurance intervenes — and charge rates above or below the basic rates depending on a company's track record for accidents and years in business.⁶ For example, the State Compensation Fund offers discounts up to 30 percent off of basic rates to companies with an experience of small losses, while it charges rates above the national rate (surcharges) for employers that have a

history of high workers' comp losses.⁷

Most Arizona employers pay the same basic rate per employee on the first \$5,000 of workers' comp insurance. But above that amount, an employer's loss experience, the type of work, and the size of the company factors into the rate the company pays per employee. As a general rule, if there are two companies in the same industry with the same loss experience, the larger one will pay a lower premium.

Although there are more than 200 private carriers writing workers' comp insurance in Arizona, about 40 percent of Arizona's workers are covered by the state's Compensation Fund, a quasi-private/public non-profit entity that was created in 1956 when workers' comp insurance was either too costly or not available.⁸ Today, all carriers (including the State Fund) are required to issue policies for hard-to-insure employers in an "Assigned Risk Plan" based on their percentage of all premiums written in the state. Employers are considered hard-to-insure if they are turned down by the State Fund and two other carriers.⁹

Benefit Portion

Overall, Arizona's workers' compensation law divides work-related injuries and illness cases into three major categories: 1) temporarily partially or totally disabled; 2) permanently partially or totally disabled; 3) and death. In most cases involving accidents or injuries during the course of employment, an "insured" worker is entitled to payment for 100 percent of their medical, nurse, and hospital expenses and medicines; and in the case of death, funeral expenses. In addition, the "insured" worker is entitled to compensation for loss of income from the injury or accident; or the spouse and children of the worker are entitled to compensation in case of death.¹⁰

In the case of loss of income, state statutes usually define exactly

Table 2

Questions and Answers Regarding Workers' Compensation

Who pays workers' compensation benefits?

In most states, employers purchase insurance for their employees from a workers' compensation insurance company — also called an "insurance carrier." In some states, larger employers who are clearly solvent are allowed to self-insure (act as their own insurance company). When a worker is injured, his or her claim is filed with the insurance company — or self-insuring employer — who pays medical and disability benefits according to a state-approved formula.

Are all on-the-job injuries covered by workers' compensation?

Most are. The workers' compensation system is designed to provide benefits to injured workers no matter whether an injury is caused by the employer's or employee's negligence. But there are some limits. Generally injuries caused as a result of an employee being intoxicated or using illegal drugs. Coverage also may be denied in situations involving:

- * self-inflicted injuries (including those caused by a person who starts a fight)
- * injuries suffered while a worker was committing a serious crime
- * injuries suffered while an employee was not on the job, and
- * injuries suffered when an employee's conduct violated company policy

How do I claim workers' compensation benefits?

First, promptly report the work-related injury or sickness to your employer. Most states require that this be done within two to 20 days (1 year in Arizona) following an injury. If an injury occurs over time (ex., a breathing problem or carpal tunnel syndrome), you must report your condition soon after you discover it. Secondly, get the medical treatment you need and follow the doctor's instructions exactly. This may include an "off-work order" or a "limited duties work order." Finally, file a claim with your workers' compensation carrier. Necessary forms must be provided by your employer. Ask someone in the personnel or benefits department.

Can an injured worker be treated by his or her doctor?

In some states (including Arizona), you have a right to see your own doctor. In Arizona, however, if your employer is self-insured and has filed an agreement with the state Industrial Commission, you first must go to a doctor chosen by the employer. Also, it's crucial that you tell the doctor the truth about both your injury and your medical history (your benefits may be denied based on fraud). Be sure to clearly identify all possible job-related medical problems and sources of pain. In short, this is no time to downplay or gloss over the presence of pain.

Do you need a workers' compensation lawyer and can you sue your employer?

You usually don't need a lawyer unless all or part of your workers' compensation claim is denied. In most states, fees for legal representation are limited to between 10% to 15% of any eventual award (25% in Arizona). As for going to court, generally the answer is no. In exchange for giving up the right to sue, you get workers' compensation benefits no matter who was at fault. Before workers' comp was passed, if you went to court, you stood to recover a large amount of money, but only if you could prove the injury was caused by the employer. Today, you may be able to sue if your injury was caused by someone other than your employer (e.g., a visitor or outside contractor) or if it was caused by a defective product (e.g., a flaw in the workplace equipment).

Source: Copyright © Nolo Press; and "State of Arizona Workers' Compensation Laws, 1997,"

what will be paid for each type of injury or illness, or death. For example, someone who loses their “great toe” will be entitled to a specific amount of compensation for a set period of time. The state of Arizona, for instance, has determined that someone who loses their great toe is “temporarily partially disabled” and is entitled to be off from work for seven months and receive 55 percent of their average monthly wage (up to a maximum monthly wage of \$2,100).

Involving any type of injury or accident, the state of Arizona pays a maximum of 66 2/3 percent of a person's monthly wage (up to a maximum monthly wage of \$2,100) for all types of disabilities — permanent (partial or total) or temporary (partial or total). So, for example, if someone was earning \$2,500 a month prior to an injury, that person would still only be eligible to receive a maximum monthly benefit based on the \$2,100 amount — \$1,398.60 (\$2,100 x 66 2/3%/12), or about \$323.00 a week (see below, Table 4).

Problems do arise, though. Often there are disputes over the amount of time someone needs to be out of work, the amount of the benefit, or whether the person is injured at all. That's when one of the primary functions of the Arizona Industrial Commission kicks in.

While there is little difference between benefit levels and services offered by private insurance carriers and the State Fund, there are a number of differences when it comes to self-insured employers. For example, Arizona requires that persons insured under the State Fund or private carriers be allowed to see their own doctor for injuries or illnesses, while self-insured employers have the right to require workers to see only their paid physicians. At some point, a worker could ask to get a second opinion, but there are a lot of restrictions over whom they could see.

Table 3

Primary Functions of Arizona Industrial Commission

- ✓ Administer and enforce workers' compensation law
- ✓ Promote voluntary arbitration and mediation of disputes
- ✓ Act as regulatory agency insuring that workers' comp insurance carriers are processing claims in accordance with provisions of state law
- ✓ Investigate, without notice, whether a place of business is safe
- ✓ Appoint administrative law judges to decide cases
- ✓ Appoint ombudsman to assist workers' comp recipients with their benefits

Source: “State of Arizona Workers' Compensation Laws, 1997,” Arizona Industrial Commission

The Industrial Commission

The state's Industrial Commission administers and enforces Arizona's workers' compensation and labor laws. Overseen by a five-member board of directors and an executive director, the Industrial Commission acts as a regulatory agency ensuring that workers' compensation carriers are processing claims in accordance with state law. The Commission also has the power and authority to investigate, without notice, claims of unsafe working conditions, and it appoints administrative law judges to mediate and arbitrate claims disputes between employees and employers and their carriers. The Commission's director, currently Larry Etchechurry, also appoints an ombudsman to assist recipients of workers' comp benefits.

Although the Industrial Commission and the State Compensation Fund were both created by the state's workers' compensation laws and are often thought as one entity, they are completely separate bodies. In fact, the Commission regulates and interacts with the State Fund like it would any private insurance carrier.

Much of the Industrial Commission's work kicks into gear when someone is injured or killed. The Commission keeps track of the more than 100,000 injury and illness cases each year in Arizona. At the point of injury, the Commission oversees a pre-defined process that is then initiated (see Figure 1).

On average over the last five years, a little less than 10 percent of Arizona's workers' comp cases (about 9,500 a year) have had some sort of dispute — dealing with issues ranging from the severity and type of injury to the cost and type of medical care needed. The Commission investigates and mediates these disputes, with between 50 percent and 60 percent of the cases being settled before going to arbitration. Only a small percentage of cases are not settled in arbitration and are taken before the state Court of Appeals, the “place of last resort” under Arizona's workers' comp system. Of course, if someone has opted out of workers' comp or the injury is not affected by workers' comp rules, then the regular justice system can be utilized.

For the most part, cases that reach the Court of Appeals deal with precedent-setting issues, said the director of the State Compensation Fund, Jerry LeCompte. In some instances, to the average person the amount of money or the issue being fought over might seem insignificant. But to the parties involved, they might believe that it could have a longer-term effect.

For example, in a case decided last November (*Kisco Inc. vs The Industrial Commission of Arizona*), the issue was over whether an insurance carrier should have to pay a person's burial benefit based on the date of the person's accident (1970) or when the person eventually died (1996).¹¹ The amount of money being disputed in this case seemed like a trivial amount (about \$1,500), but the cost could be significant if it affects a large number of cases, said LeCompte. And based on Arizona law — which assigns benefits at the time of the injury and does not offer inflation adjustments — one could argue that the insurance company had a legitimate issue.

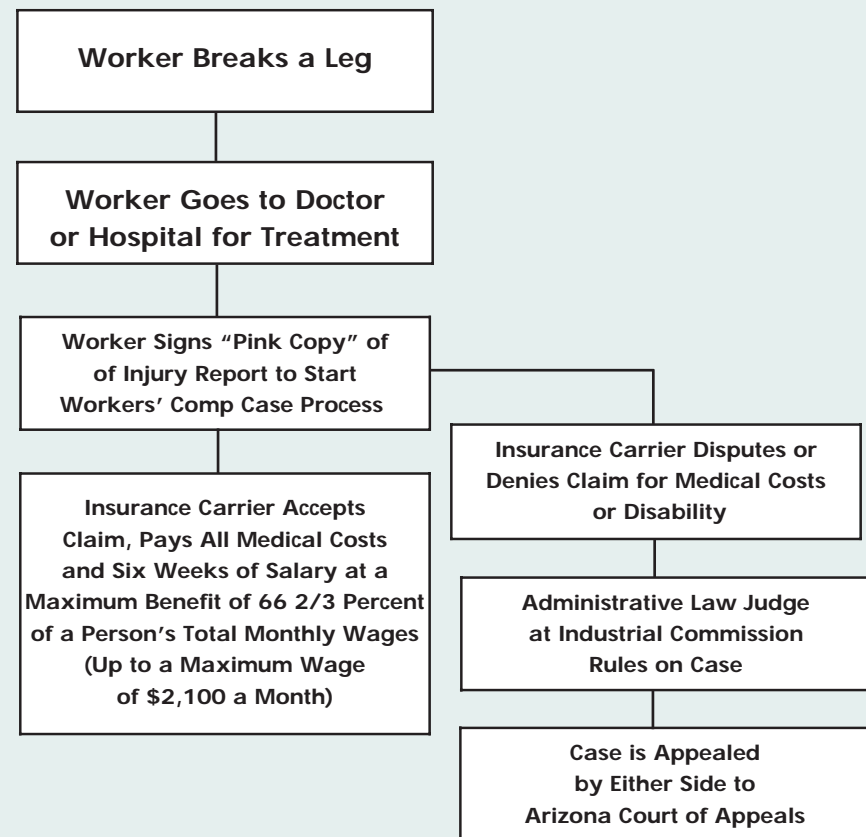
In this instance, however, the court sided with the Industrial Commission, which had earlier ruled that the maximum benefit for funeral expenses should be based on the time of death, not on the time of the accident. "Any other results, particularly when the date of death occurs substantially later than the injury, would be nonsensical since the expenses of burial continue to escalate with time, as the legislature has apparently recognized and increased the benefits accordingly," the Appellate Court wrote in its brief.¹²

Rising Profits, Stagnant Benefits

Workers' compensation has been a profitable line of the insurance business in Arizona (as well as in a number of other states) in recent years. The State Compensation Fund, for instance, has returned more than \$190 million in profits, or dividends, to employers the past three years (including a record \$75 million in 1997), while at

Figure 1

Typical Process of Workers' Compensation Case in Arizona



Source: "State of Arizona Workers' Compensation Laws, 1997," Arizona Industrial Commission

the same time has decreased premium rates by more than 40 percent.

Labor interests argue that low benefit levels in Arizona are the main reason for the carriers' record profitability, while business officials attribute the industry's success to improved efficiency and the successful promotion of business safety practices.

Responding to a January 1997 *Arizona Republic* editorial critical of record profits and attempts to limit workers' comp benefits, the chairman of the Board of Directors of the State Fund, Bruce Thoeny, wrote in rebuttal letter that reduced loss experience was the key to improved profitability in recent years. "Safety incentives do pay off," Thoeny wrote.¹³ Adding to that, LeCompte said that im-

proved efficiency and marketing practices (e.g., outpricing competition) were partly responsible for higher profits at the State Fund.

Also at the heart of improved profitability for insurance carriers has been steadily declining injury rates the past several years in Arizona and nationwide. In last quarter's issue of *AET*, it was reported that U.S. injury and illness incidence rates were at the lowest levels since the Bureau of Labor Statistics began tracking the data in the early 1970s (see Figure 2). In 1996 (the latest year that data are available), there were 7.4 accident and injury cases per 100 full-time equivalent workers, down steadily from a recent high of about 9.0 cases per 100 FTE workers in the early 1990s.

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Table 4

Current Benefits for Permanent Total Disability, Arizona and Selected Western States

State	Percentage of Worker's Wage	Payments Per Week		Percentage of SAWW	Maximum Period
		Minimum	Maximum		
Arizona ¹	66 2/3%	Payable, but not statutorily prescribed	\$323.10	64%	Life or duration of disability
California	66 2/3	\$126	\$490.00	66 2/3	Life
Colorado ²	66 2/3	—	\$468.44	91	Life
Nevada	66 2/3	—	\$492.24	100	Life
New Mexico ³	66 2/3	\$36 or actual wage if less	\$363.60	85	Life
Oregon ⁴	66 2/3	\$50 or 90% of actual wage if less	\$518.60	100	Duration of disability
Utah ⁵	66 2/3	\$45	\$397.00	85	312 weeks, or life if claimant cannot be rehabilitated
Washington ⁶	60 – 75	\$44.05 to \$83.81 according to marital status and # of dependents	\$627.41	110% of State's Monthly Wage	Life

Notes: SAWW = State's Average Weekly Wage

1 Additional \$25 monthly added to benefits for dependents

2 Workers' compensation (WC) benefits subject to Social Security benefit offsets and to a reduction of benefits under an employer pension or disability plan. Lump sum maximum payable is \$37,560

3 Benefits are for the life of the injured worker

4 Additional \$5 weekly, not to exceed a specified time period as stated in the law for each dependent up to five people. WC benefits subject to Social Security benefit offsets, and by those under an employer-funded pension plan as well as for severance pay

5 Additional \$5 for dependent spouse and each dependent child (up to four) under age 18, not to exceed 85% of SAWW

6 WC benefits subject to Social Security benefit offsets

Source: Table 7, "State Worker's Compensation Laws," U.S. Department of Labor, Employment Standards Administration, Office of Worker's

A good case can be made, however, that low benefit levels in Arizona have contributed sharply to rising profits for the industry here. " 'Arizona ranks near the bottom for all states in the amount of money paid out for temporarily- and permanently-disabled workers, and rates haven't increased since 1987,' " Chuck Huggins, director of the state AFL-CIO, told the *Arizona Republic* earlier this year.¹⁴ Table 5 shows that Arizona ranked 45th among all states in 1997 in the maximum weekly benefit Arizona workers can receive (about \$320) for either temporarily or

permanently totally disabled workers, compared to some states that pay more than \$700 a week. And the state ranked 47th in 1995 in the maximum weekly death benefit (\$277.08) paid to surviving spouses and children, and "dead last" for the amount paid only to spouses (\$183.75).

But individual statistics can be deceiving, Thoeny wrote in his letter to the *Republic*. While the state ranks low in several individual categories, when all of the money paid out to claimants is taken together, the state fares much better, Thoeny wrote. Arizona ranked 15th for average cash

benefits for "all claims," Thoeny claimed in his editorial letter.¹⁵

Trying to kick-start legislative action to improve benefits, the director and governing board of the Arizona Industrial Commission wrote a letter this past January to the governor and state Legislature. The letter pointed out that while benefits hadn't increased in about a decade, the gap between the state's average weekly wage (\$506.47 in 1996) and maximum weekly benefit wage (\$322.14) had widened dramatically. In fact, the spread between these two numbers is significantly larger in Arizona

Table 5

1997 Maximum Weekly Workers' Compensation Benefit and 1995 Maximum Weekly Benefit for Surviving Spouse, Arizona and Selected States

State	Maximum		Surviving Spouse	
	Weekly Benefit	Rank	Max. Weekly Benefit	Rank
Iowa	\$873.00	1	\$817.00	1
Michigan.....	536.00	11	499.00	10
Washington.....	517.00	13	531.44	8
Oregon	494.44	20	326.32	39
California	490.00	23	406.00	29
Colorado.....	483.52	24	442.60	22
Utah	446.00	30	351.00	34
Nevada.....	432.39	33	432.39	24
New Mexico.....	363.60	40	343.49	38
Arizona	322.14	45	183.75	50⁽¹⁾
Alabama	220.00	50	427.00	26

Note: 1 Surviving Spouse Benefit benefit has not increased since 1995

Source: *Arizona Industrial Commission letter to Legislature (dated Jan. 8, 1998), citing National Compensation Council 1997 Annual Statistical Bulletin; and 1995 Analysis by U.S. Chamber of Commerce*

than in any surrounding state (see Figure 3).

In part, the letter read: "During the period of the early 1990s, Arizona's benefits ranked as one of the highest for the 14 western states and, yet, Arizona's insurance premium costs were still below the national average. ... Today the same cannot be said even though Arizona's workers' compensation premiums have decreased 37.2 percent. ... As an agency we see more and more cases of injured workers and their families losing their homes and personal transportation as a result of the dramatic changes in life-style caused by their injuries and the static nature of Arizona's benefits."¹⁶

Part of the problem for Arizona workers' comp beneficiaries is that maximum benefit levels have to be adjusted periodically by the Legislature, while in most other states benefits are tied to that state's annual average wage, said Etchechurry. And

recipients' benefits in Arizona are not adjusted for inflation. So, someone who is permanently totally injured at age 20 will likely receive the same maximum allowable benefit for the rest of his or her life, unless the state increases the maximum benefit level or the wage percentage.

Battle of the Somme

Why haven't benefit levels in Arizona been adjusted in the last decade? A variety of reasons, with economic issues leading the way, labor and business officials say. But an inability to compromise has also been at the heart of the stalemate.

The director of the Industrial Commission believes that part of the reason benefit levels have not received priority treatment is the fear that raising benefits could "disrupt" the direction of the state's strong economic engine. "When (legislators and economic development people) look at that, they don't want to do anything

to hurt (the economy)," said Etchechurry. But he added, "It's over-protection to not do anything. You have to make incremental changes to make (the system) balanced."

Farrell Quinlan, vice president of communications for the Arizona Chamber of Commerce, has another perspective. He said that part of the problem in recent years is that because labor interests have not seen a benefit increase in so long, they are unwilling to make concessions in other areas. What has emerged he likens to a type of "trench warfare" made famous in World War I's Battle of the Somme. When one side makes a proposal, the other side is able to rally enough legislative support to "shoot it down." and vice versa.

That's what happened at the beginning of the 1997 legislative session, when business interests came out with a number of proposals to limit the awarding of workers' comp benefits. Business believed that in recent years Arizona courts have interpreted workers' comp laws too liberally, citing an instance where an employee injured while playing a game of "hacky sac" was given compensation and another where someone who was late in filing a protest of a denied claim was allowed to have their case reopened. The proposals, however, were promptly criticized in the media and never got out of committee.

For its part, in recent years Arizona labor officials have tried to improve workers' comp benefit levels as part of a comprehensive initiative measure called the "Worker's Bill of Rights." However, labor has been unable to acquire the necessary signatures to even get the initiative on the ballot.

Now, labor officials are contemplating ratcheting up the stakes by starting a media campaign to make private-sector workers aware that they can "opt out" of the workers' comp system, said Bill Hogan, political director for the State AFL-CIO. "It


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is a protected right and the employee has full access to sue," Hogan said.

Quinlan said his organization "rejects the idea" of getting workers (to opt out of the system) and that workers that do will "put their family at risk." "I wouldn't want to be that worker. It's a political gambit," he said.

The "Battle" goes on.

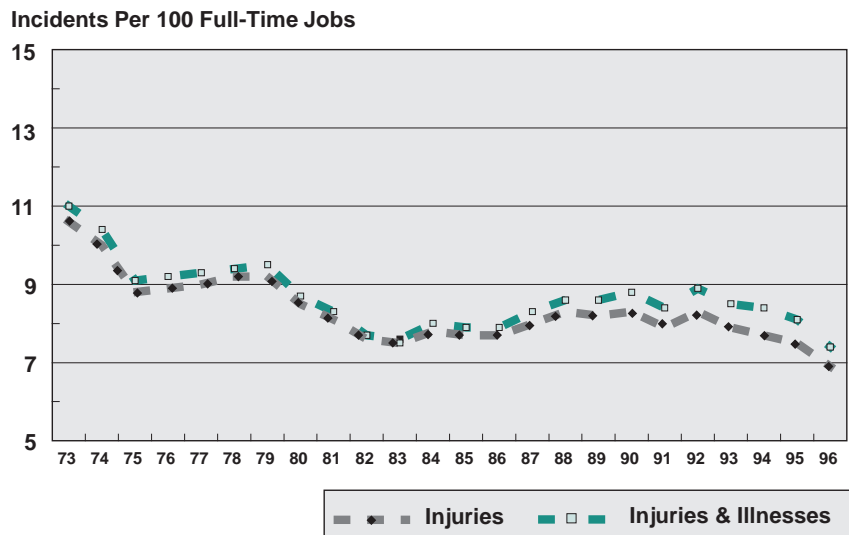
Notes:

1. "Workers' Compensation Insurance: It's The Law!" What Every Arizona Employer Should Know," Arizona Industrial Commission, p. 1.
2. Article XVIII, Section 8, Constitution of Arizona.
3. "Workers' Compensation: FAQ," Nolo Press, Internet Site Address: <http://www.nolo.com>
4. Ibid.
5. "Employee Solutions posts loss, seeks president" Jane Larson, *The Arizona Republic*, March 13, 1998.
6. "State Tells Comp Fund to Raise Its Rates," Howard Fischer, *Capitol Media Services*, published in *Arizona Business Gazette*, April 24, 1997, p. 1.
7. Ibid.
8. Ibid.
9. "State of Arizona Workers' Compensation Laws, 1997," Arizona Industrial Commission, p. 60.
10. There are also additional benefits available to individuals and their families (e.g., scholarships or stipends) in the case of permanent disability or death.
11. "Court Decisions," *Arizona Business Gazette*, Nov. 27, 1997, p. 6.
12. Ibid.
13. "Fund for Workers' Compensation is Not in Jeopardy," Bruce C. Theony, chairman, Board of Directors, State Compensation Fund, *The Arizona Republic*, Feb. 20, 1997, p. B4.
14. "Labor fires 'shot across bow' for rights," Hal Mattern, *The Arizona Republic*, Feb. 2, 1998, p. B1.
15. See 13.
16. Letter sent to Governor and State Legislature from the Industrial Commission of Arizona, Jan. 8, 1998. 

— Brent Fine,
Arizona Economic Trends Editor

Figure 2

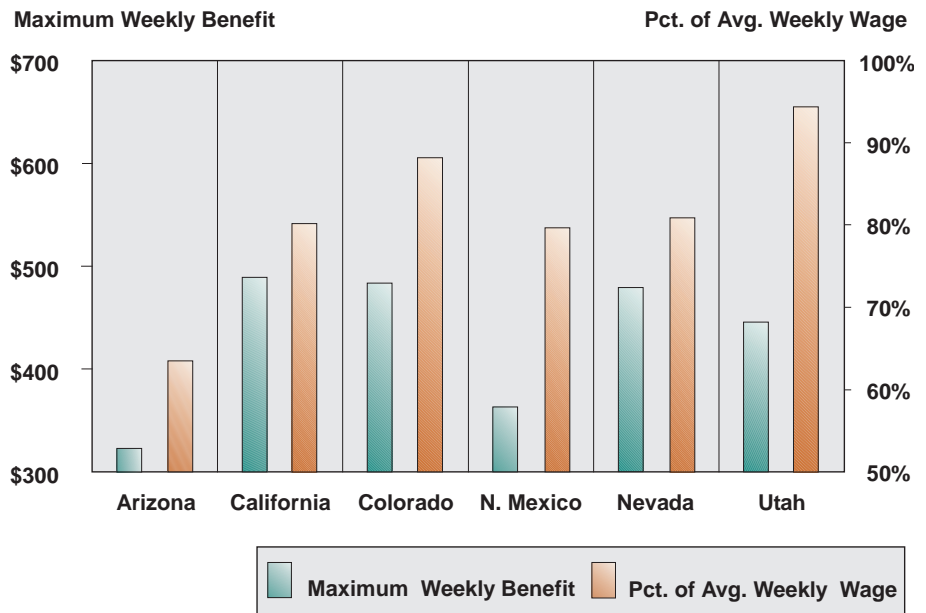
U.S. Occupational Injury and Illness Incidence Rates Per 100 Full-time Workers, 1973-96



Source: "Census of Fatal Occupational Injuries," U.S. Department of Labor, Bureau of Labor Statistics, in cooperation with state and federal agencies, 1992-1996

Figure 3

Maximum Weekly Workers' Compensation Benefit and Its Percentage of Average Weekly Wage, Arizona and Selected Western States, 1996



Source: "Census of Fatal Occupational Injuries," and "Average Annual Wage," U.S. Dept. of Labor, Bureau of Labor Statistics, 1997

Services Expected to Lead State to 'Moderate' Gains

(continued from front page)

up, interest rates continued to sustain healthy lows, consumer and business confidence was up, relative costs as reflected in both the producer prices (PPI) and consumer prices (CPI) indexes were low, new factory orders were once again pointing upward, industrial production was up considerably, GDP was again up, new home sales were up, and business investment continued a robust pace. All put together, these have been and continue to be "good times." As we move into 1998, most of these economic data appear to be showing signs of moderating, but from all accounts, things are still looking fairly good in the nation.

Just as a brief overview of the results of the 1997 nonfarm payroll jobs data, the continued economic expansion in the U.S. marketplace produced 2.7 million nonfarm payroll jobs — growth of 2.3 percent over 1996. Recent projections of the nationwide job growth by the WEFA Group expect another 2.3 percent increase for 1998 and moderated 1.4 percent in 1999.

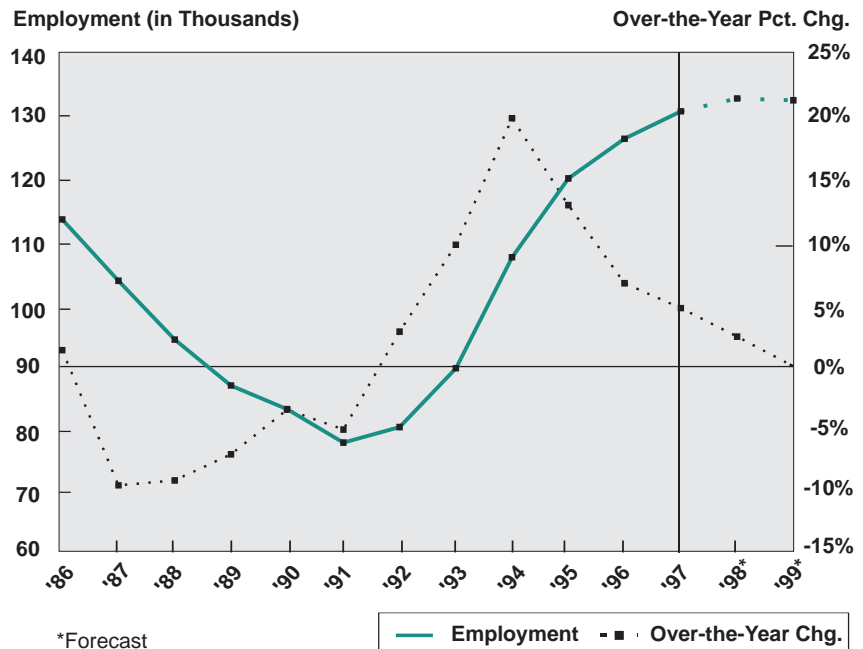
Arizona Job Forecast

Arizona's Department of Economic Security, Research Administration (RA) two-year forecast portends Arizona's economy will continue expanding through the 1998-'99 period. Briefly and simply, RA expects continued job growth accompanied with a general slowing trend, which is also in concert with the world, the nation, and the Southwest region. There is yet plenty of momentum in both the U.S. and Arizona economies.

RA's projections reveal 134,200 nonfarm payroll jobs are expected over the next two years, representing growth of 6.8 percent over the 1997 level. Slowing from 1997's 4.5 percent growth, jobs are expected to grow at rates of 3.7 percent in 1998

Figure 1

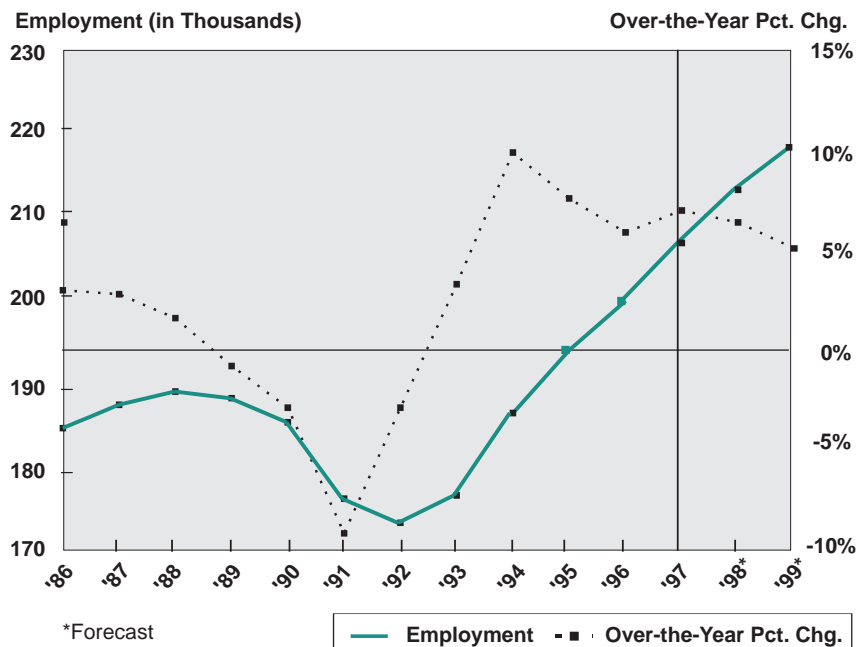
Arizona Construction Employment and Over-the-Year Percentage Change, 1986-'97 (Actual) and 1998-'99 (Forecast)



Source: Arizona Dept. of Economic Security, Research Administration, March 1998

Figure 2

Arizona Manufacturing Employment and Over-the-Year Percentage Change, 1986-'97 (Actual) and 1998-'99 (Forecast)



Source: Arizona Dept. of Economic Security, Research Administration, March 1998

and 3 percent in 1999. Once again as RA stated a year ago, Arizona is expected to undergo a gradual slowing.

Regionally within Arizona, RA forecasts slightly more than 100,000 jobs for the Phoenix-Mesa metro area (MA), just short of 18,000 jobs for the Tucson MA, and slightly better than 15,000 jobs in the combined Non-metropolitan Counties. The Phoenix-Mesa MA is projected to slow from 1997's 5.5 percent pace to 4.1 percent in 1998 and 3.1 percent in '99. The Tucson MA, on the other hand, is expected to increase its pace from nearly 2 percent in '97 to 2.7 percent in '98, with projections of 2.8 percent for '99. The nonmetro portion of the state is projected to show a slight increase over '97 levels with a projection of 3 percent for '98 and then slowing to 2.4 percent in '99.

Once again, Arizona's services industry is expected to continue pushing forward as the fastest growing industry group. RA again projects broad-based increases resulting in nearly 70,000 jobs over the two-year forecast period. Still with great fervor, jobs associated with the computer and the rapidly unfolding Information Age are expected to sustain some of the highest rates of growth, so expect to see this trend continue. As a result, the business services sector is expected to once again top the services group in terms of its pace of growth.

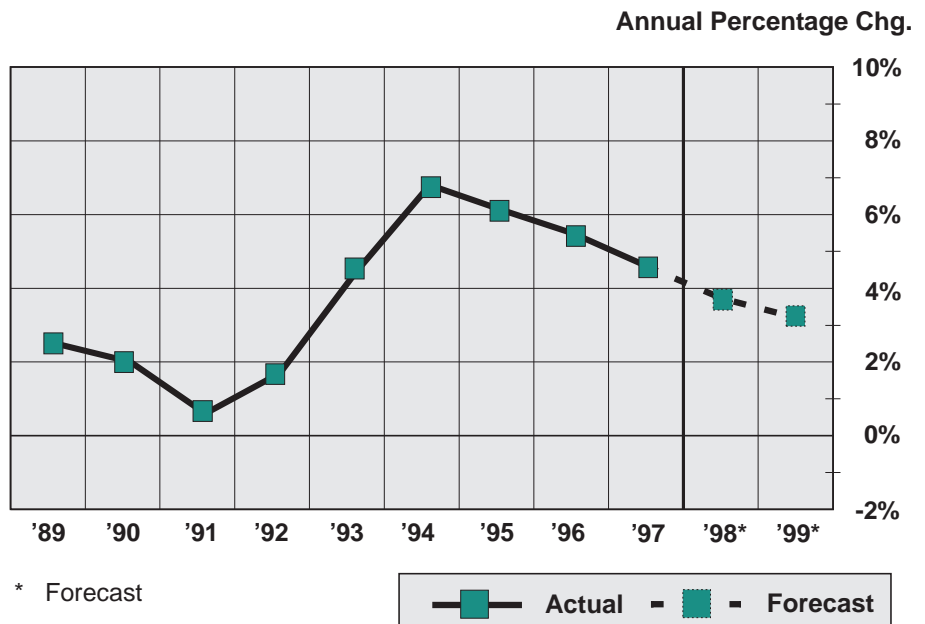
Representing more than 30 percent of all nonfarm jobs, services reached an astounding 10.4 percent growth rate back in 1995. Since then, this group has undergone gradual slowing. Recently benchmarked data showed 1997 growth of 6.7 percent (representing nearly 38,000 jobs), and RA's projections call for growth rates of 5.6 percent and 4.3 percent for 1998 and '99, respectively.

Copper Mining Employment Expected to Sink

From the expected top industry performer to the expected worst, RA ex-

Figure 3

Arizona Nonfarm Payroll Employment Growth Rates, Actual (1989-1997) and Projected (1998, 1999)



Source: Arizona Dept. of Economic Security, Research Administration, March 1998

Table 1

Arizona Nonfarm Payroll Employment and Growth Rates, Actual (1997) and Projected (1998, 1999)

(Annual Averages, in Thousands)

	1997	Growth Rate	1998	Growth Rate	1999	Growth Rate
Nonfarm Payroll^(a)	1,977.0	4.5%	2,050.7	3.7%	2,111.2	3.0%
Goods-Producing	351.3	3.4	357.7	1.8	362.1	1.2
Manufacturing	206.9	3.5	213.3	3.1	218.4	2.4
Mining	13.9	-0.7	11.8	-15.1	11.4	-3.4
Construction	130.5	3.5	132.6	1.6	132.3	-0.2
Service-Producing	1,625.4	4.7	1,693.0	4.2	1,749.1	3.3
TCPU ^(b,c)	95.5	4.0	98.8	3.5	101.9	3.1
Trade	481.4	3.7	498.3	3.5	513.8	3.1
FIRE ^(d)	126.5	8.0	132.5	4.7	136.4	2.9
Services	598.5	6.7	632.3	5.6	659.4	4.3
Government ^(c)	323.5	1.8	331.1	2.3	337.6	2.0

Notes: a) Totals may not add up exactly due to rounding
b) Transportation, Communications, and Public Utilities
c) For forecasting purposes, Salt River Project is included in TCPU instead of Government
d) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, March 1998

1998-'99 EMPLOYMENT FORECAST

pects mining to experience a serious industry contraction. Recently announced layoffs by several of Arizona's major mining companies have sent shock waves through local rural communities. The primary reason? Simply stated: Copper prices are plummeting. Recently, some copper futures were under serious threat as prices plummeted more than 40 percent since July. During the '90s, the U.S. Producer Price of copper has seen a quarterly low of 83.02 cents per pound ('93/Q4) and a high of 139.34 cents ('95/Q3). By the end of 1997, 4th quarter prices had slid from a 2nd quarter price of 116.72 cents per pound to 89.98 — a nearly 25 percent decline. The recent downslide in prices resulted from a swelling of inventories (in part due to projects associated with the Asian markets being placed on hold), along with recently discovered reserves in Singapore and several new mines opening in China.

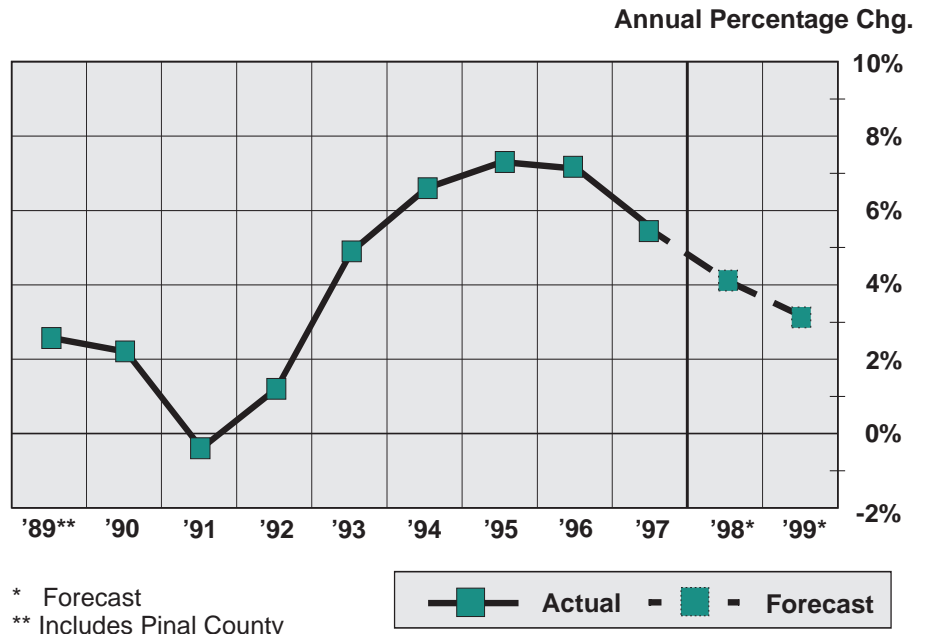
Overall, RA projects Arizona's mining industry will lose more than 2,500 jobs over the next two years. Most are expected to occur in 1998. The resulting industry contraction is expected to leave the industry with only three-tenths of one percent of all Arizona jobs, down from 1997's nearly five-tenths of one percent.

Arizona's manufacturing companies have been enjoying considerable growth in recent years, in both durable and nondurable goods-producing sectors. Leaving industry losses behind after 1992, this industry group has expanded by nearly 34,000 jobs in the last five years. Having reached a peak growth rate of 5.6 percent in 1994, this industry has also shown a gradual slowing trend.

RA expects this trend to continue throughout the next two years as manufacturing growth rates slow from the 3.5 percent of 1997 to 3.1 percent in '98 and 2.4 percent in '99. The resulting number of manufacturing jobs projected over the forecast

Figure 4

Phoenix-Mesa Metropolitan Area Nonfarm Payroll Employment Growth Rates, Actual (1989-1997) and Projected (1998, 1999)



Source: Arizona Dept. of Economic Security, Research Administration, March 1998

Table 2

Phoenix-Mesa Metropolitan Area Nonfarm Payroll Employment Growth Rates, Actual (1997) and Projected (1998, 1999)

(Annual Averages, in Thousands)

	1997	Growth Rate	1998	Growth Rate	1999	Growth Rate
Nonfarm Payroll^(a)	1,384.0	5.5%	1,440.8	4.1%	1,485.4	3.1%
Goods-Producing	260.9	4.0	265.8	1.9	269.2	1.3
Manufacturing	160.8	4.2	166.3	3.4	170.4	2.5
Mining	6.4	0.0	4.8	-25.0	4.6	-4.2
Construction	90.6	7.0	92.8	2.4	91.5	-1.4
Service-Producing	1,122.6	5.8	1,175.0	4.7	1,216.2	3.5
TCPU ^(b,c)	70.1	5.9	72.9	4.0	75.4	3.4
Trade	338.9	4.1	351.3	3.7	362.1	3.1
FIRE ^(d)	106.6	10.6	112.5	5.5	116.1	3.2
Services	434.5	7.8	461.8	6.3	482.8	4.5
Government ^(c,d)	172.5	1.5	176.5	2.3	179.8	1.9

Notes: a) Totals may not add exactly due to rounding
b) Transportation, Communications, and Public Utilities
c) For forecasting purposes, Salt River Project is included in TCPU instead of Government
d) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, March 1998

period total 11,500. RA's projections include a conservative estimate of the Asian crisis impacts, in part tempered by the improving Mexican economy, and in part tempered by data which reveal the majority of export trade to Asian markets being comprised of intermediate goods rather than final goods. This is expected to soften the economic-related shock wave and result in a generally lagged effect. Recently received data provided by the Arizona Department of Commerce reveal exports from Arizona to Mexico in 1997 were up a substantial 21 percent over the 1996 trade level, which translates into nearly \$2 billion to Arizona's economy. Japan accounted for roughly \$1.8 billion, and the Netherlands jumped into the No. 3 slot with nearly \$1.5 billion.

Low Interest Rates Should Keep Construction Positive

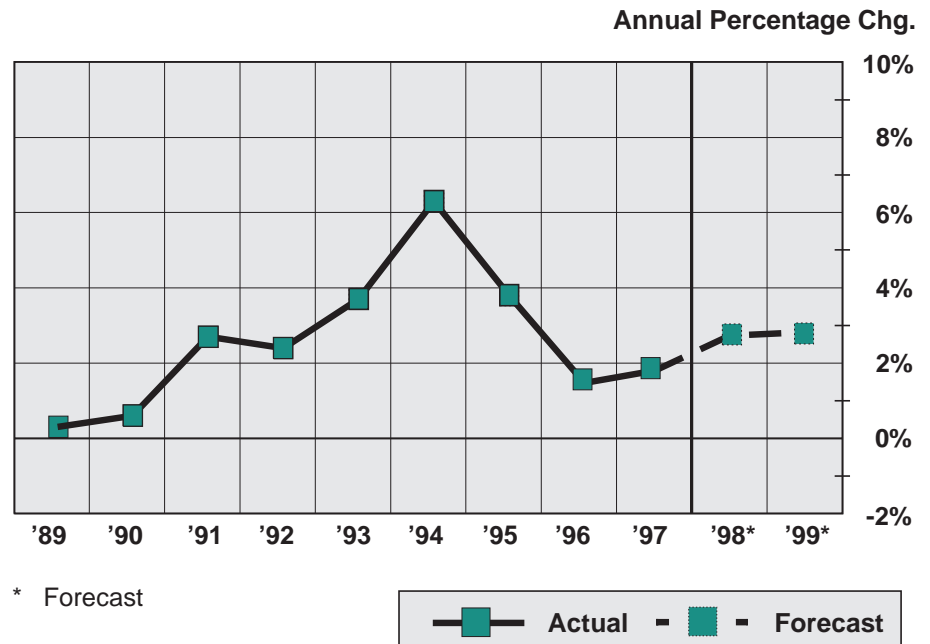
Arizona's construction industry realized it's last annual-average loss way back in 1991 and hasn't seemed to look back since. It, too, reached a growth rate peak in 1994, a pace of more than 20 percent. Since then, it also has undergone a moderated slowing rather than rapid job loss. Resurgent growth in housing developments offset completed commercial projects.

In light of the economic softening created by the Asian financial crisis, RA expects Alan Greenspan and the Federal Open Market Committee (FOMC) will support leaving interest rates relatively unchanged throughout 1998. This should continue enhancing incentives toward home ownership, refinanced mortgages, and other consumer and commercial financing.

A new construction restraint raised by Arizona's rapid growth has been rising lot prices, especially in the Phoenix-Mesa MA. Not only are housing lots dwindling in number, but the infrastructure has become strained by rapid development. As a result, RA expects infrastructure

Figure 5

Tucson Metropolitan Area Nonfarm Payroll Employment Growth Rates, Actual (1989-1996) and Projected (1997-1998)



* Forecast

Source: Arizona Dept. of Economic Security, Research Administration, March 1998

Table 3

Tucson Metropolitan Area Nonfarm Payroll Employment Growth Rates, Actual (1996) and Projected (1997, 1998)

(Annual Averages, in Thousands)

	1997	Growth Rate	1998	Growth Rate	1999	Growth Rate
Wage and Salary^(a)	312.7	1.9%	321.2	2.7%	330.3	2.8%
Goods-Producing	49.8	0.8	50.7	1.8	51.5	1.6
Manufacturing	28.2	0.7	28.9	2.5	29.7	2.8
Mining	2.3	0.0	2.0	-13.0	1.9	-5.0
Construction	19.3	1.0	19.8	2.6	19.9	0.5
Service-Producing	262.5	1.6	270.5	3.1	278.8	3.1
TCPU ^(b)	13.2	-2.2	13.4	1.5	13.7	2.2
Trade	68.2	0.7	70.4	3.2	72.9	3.6
FIRE ^(d)	11.8	-1.7	12.0	1.7	12.2	1.7
Services	98.7	3.1	102.7	4.1	106.6	3.8
Government	70.6	1.7	72.0	2.0	73.4	1.9

Notes: a) Totals may not add up exactly due to rounding
b) Transportation, Communications, and Public Utilities
c) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, March 1998

projects will burgeon over the forecast period, which should enhance creation of general construction and some heavy construction jobs. On the down side, 1997 saw the conclusion to many rather large construction projects. Overall, RA projects the construction industry will grow by 2,100 jobs (1.6 percent) in 1998 and begin losing jobs in 1999.

Transportation Sector of TCPU to Remain Strong

The transportation, communications, and public utilities (TCPU) group is projected to grow by 6,400 jobs over the two-year forecast period. Once again, structural changes have resulted in a collapse of old-for-new technologies and methods, especially in the communications industry. Recent moves toward deregulation are promoting changes in both communications and the public utilities sectors. Growth in TCPU is being propelled by transportation. This industry has stepped up to meet regional demands for transporting goods throughout the Southwest, with Arizona serving much as a hub for the Pacific West and growing Rocky Mountain region, and the north-south trade routes from the U.S.-Mexico border.

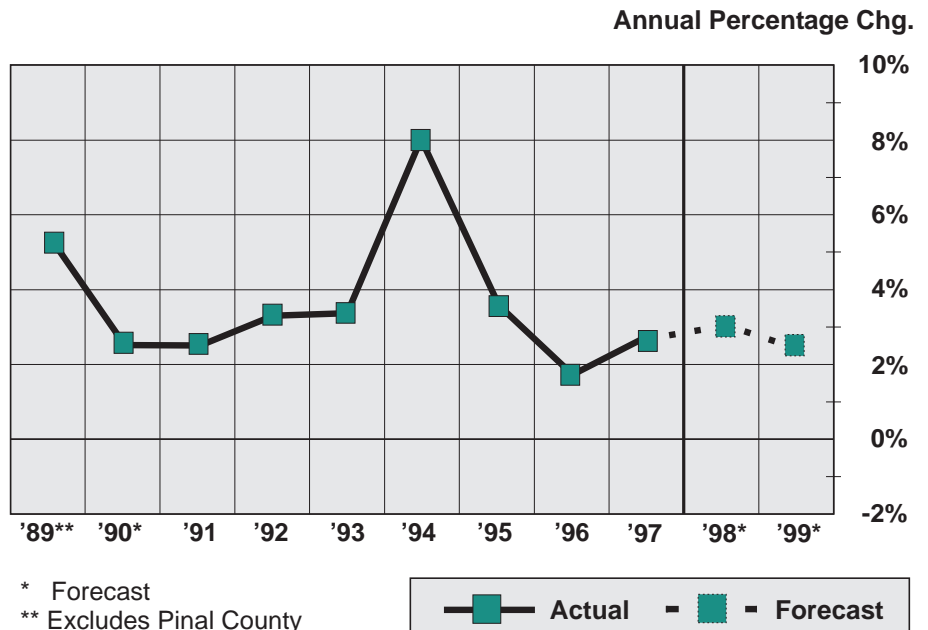
Despite these confluent changes impacting this group, each major sector showed respectable job growth in 1997. RA projects much the same trend, just slowing a bit from the 4 percent growth of 1997, to 3.5 percent in '98 and 3.1 percent in '99. In all, some 6,400 jobs are expected to be added.

Arizona's finance, insurance, and real estate (FIRE) industry has simply reveled in the recent economic activity of the region. Banking and financial services have boosted job growth in response to a thriving marketplace. In 1997, FIRE enjoyed some of its largest percentage over-the-year job increases of the last decade. And, this followed an impressive 9.3 percent increase in 1996.

(continued on back page)

Figure 8

Balance of State Nonfarm Payroll Employment Growth Rates, Actual (1989-1997) and Projected (1998, 1999)



Source: Arizona Dept. of Economic Security, Research Administration, March 1998

Table 4

Balance of State Nonfarm Payroll Employment Growth Rates, Actual (1997) and Projected (1998, 1999)

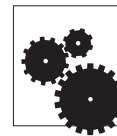
(Annual Averages, in Thousands)

	1997	Growth Rate	1998	Growth Rate	1999	Growth Rate
Wage and Salary^(a)	280.3	2.7%	288.7	3.0%	295.5	2.4%
Goods-Producing	40.8	2.3	41.2	1.0	41.4	0.5
Manufacturing	17.9	1.7	18.1	1.1	18.3	1.1
Mining	5.2	-1.9	5.0	-3.8	4.9	-2.0
Construction	17.5	4.2	18.1	3.4	18.2	0.6
Service-Producing	240.3	2.9	247.5	3.0	254.1	2.7
TCPU ^(b,c)	12.2	0.8	12.5	2.5	12.8	2.4
Trade	74.3	2.9	76.6	3.1	78.8	2.9
FIRE ^(d)	8.1	-6.9	8.0	-1.2	8.1	1.2
Services	65.3	5.2	67.8	3.8	70.0	3.2
Government ^(c)	80.4	2.4	82.6	2.7	84.4	2.2

Notes: a) Totals may not add up exactly due to rounding
b) Transportation, Communications, and Public Utilities
c) For forecasting purposes, Salt River Project is included in TCPU instead of Government
d) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, March 1998

Industry Update



Phoenix Metro Area

Manufacturing

Hypercom, a data communications and magnetic card-reader firm, will be **hiring 200** employees after it builds a new warehouse and manufacturing center on a site adjacent to its headquarters at Interstate 17 and Greenway Road.

High-tech manufacturing could gain as many as **1,200 jobs** over the next few years because of the following three companies either moving to the Phoenix area or expanding. **CNF Inc.** is moving its global headquarters from Morgan Hill, Calif., to the Scottsdale Airpark. The building will also house its manufacturing plant and its marketing and sales operations. **Varian Tempe Electronics Center** will soon undergo a \$6 million expansion, adding **500 employees** to its staff. And **National Computer Systems** will expand its Mesa plant to make room for nearly **250 employees**.

Intel Corp. is now closer to **avoiding layoffs** during its upcoming restructuring next year. The computer chip manufacturer is the area's second largest private employer. Some 900 people have already been offered positions within the restructuring. Another 1,100 workers have nearly a year to find new jobs.

The **Boeing helicopter plant** in Mesa, which currently employs 5,300, will be **losing 300 jobs** over the next two years, and most of those jobs will be lost through attrition. Boeing is cutting 8,200 jobs nationwide as a result of its recent merger with McDonnell Douglas. However, Boeing also has plans to move hundreds of jobs here from other locations, so that the net job loss (or gain) could be near zero.

Clayton Homes will build a 100,000-square-foot **manufacturing plant** in El Mirage. The Tennessee-based home manufacturer has more than 6,000 employees in 28 states. The company will **employ 225**.

Motorola, the Valley's largest private employer, is **restructuring its worldwide operations**. Valley jobs in the company's semiconductor operations are probably safe — the company is eliminating 372 Schaumburg, Ill., jobs and will shift its emphasis to plants in Arizona, Virginia, and Texas.

General Mills is moving **35 to 40 regional sales jobs** from Denver to the Scottsdale Spectrum office complex. General Mills is the nation's second-largest manufacturer of cereal products.

Olin Microelectronic Materials plans to **add 30 jobs** with completion of its Mesa facility. The plant should open this summer.

Finance, Insurance, and Real Estate

A mutual funds company, **The Vanguard Group**, will be **doubling its local employment** over the next few years.

Vanguard will relocate its corporate headquarters from Valley Forge, Penn., to northern Scottsdale. The company currently has 650 employees in Phoenix and Scottsdale.

Green Tree Financial will hire **800 new employees** when it moves into its new regional headquarters, now under construction in the Perimeter Center in northern Scottsdale.

Trade

Avnet, Inc., one of the world's largest distributors of computer parts and electronics, is moving its corporate headquarters from Great Neck, N.Y., to Phoenix. **Five hundred local jobs** are expected to be created with an average annual salary of \$40,000. Avnet is a Fortune 500 company that employs 9,400 worldwide, with operations in Europe, Asia, and Africa. Currently the company employs 2,100 in the Phoenix area.

MicroAge Inc., a Tempe-based computer reseller, has **eliminated 200** of its jobs in Arizona and another 100 elsewhere as part of a corporate restructuring. The cutbacks are not expected to change the company's plans for growth. MicroAge is building a large office building in Tempe and recently acquired land along Central Avenue in Phoenix.

The home-repair market is "heating-up" in the Valley. Home Depot will soon have competition from the nation's No. 2 home improvement retail chain. Based in North Carolina, **Lowe's** plans to **build more than 100 stores in the West**, including Phoenix and Tucson. Not to be outdone, **Home Depot is adding 250 jobs** with the opening of two new stores in Mesa and Scottsdale, giving the Georgia chain nearly 20 in the Phoenix area. Another Home Depot location will open in November at the new Chandler Pavilions at Interstate 10 and Ray Road (see below).

Developer **Opus Southwest** has signed three major tenants for an \$18 million **Chandler Pavilions** shopping center on the southeast corner of Interstate 10 and Ray Road. The 167,000-square-foot center, which will feature national retailers CompUSA, Bed Bath and Beyond, and Golf Smith, will be located just north of a 128,000-square-foot Sam's Club and a 106,000-square-foot Home Depot.

One of the top jewelry stores in the world, **Tiffany & Co.**, plans to open a **store in Scottsdale Fashion Square**. The New York-based company will locate in a part of 200,000-square-foot expansion project that will also include the state's first Nordstrom department store. The new wing of the shopping center, which will include about 50 new shops and restaurants, is scheduled to open in September.

Circuit City is closing its computer answer center in Tempe. The facility employs 200. The company believes product manufacturers will better handle the technical nature of assistance inquiries.

Services

Advanced Programming Resources Inc. is moving its headquarters to 48th Street and University Drive in Tempe. When the new center opens, probably by June 1, the company plans to hire **300 additional computer programmers, analysts, and technicians**. The company currently employs 150.

Marriott International plans to build a **950-room hotel in the north Phoenix** master-planned community of Desert Ridge. It would become the state's largest hotel, surpassing the Hyatt Regency in downtown Phoenix, which has 712 rooms. The hotel, plus 200 time-share units is scheduled to open in late 2000.

A six-story **252-suite resort**, tentatively titled **Superstition Springs Resort Hotel**, will be built on 14 acres between Power Road and Superstition Springs Boulevard in east Mesa. Also planned are 144 condominium units. The complex will feature conference space, restaurants, and retail areas.

Hospital expansions: Paradise Valley Hospital is making room for more babies; Chandler Regional Hospital is building more obstetrics and telemetry space; an urgent care center at Sun Lakes Health Center was just completed; and Maricopa Medical Center will add space for endoscopy, angiography/cardiac catheterization and its burn unit.

Tucson Metro Area

Manufacturing

As a good sign for future employment, **IBM's Storage Systems Division** has **acquired two acres for future expansion** at its 600,000-square-foot facility at the University of Arizona Science and Technology Park. IBM's plant, which has 1,200 employees, has added 100 workers in the past year. At one time IBM employed 5,000 people at the Technology Park, but the computer giant began downsizing its operations in Tucson in the late 1980s.

Construction

As part of the **2,800-acre Rancho Sahuarita development** 10 miles south of Tucson off Interstate 19, developer Robert Sharpe plans to build 2,000 manufactured homes priced between \$35,000 and \$60,000. Called Rancho Resort, the 150-acre retirement community will include a recreation center and feature homes from 650 to 1,300 square feet for retirees 55 years and older.

Several **major construction projects** are set to begin or already under way in Tucson. The city's largest shopping complex, the 1.4 million-square-foot **El Con Mall**, is about to be **expanded by 300,000 square feet**. A 20-screen movie theater complex will replace a six-screen theater and a 120,000-square-foot department store are being added as part of the mall's renovation. Also, plans are in the works for a Southern Arizona Regional Visitors Center,

which will be home to the Metropolitan Tucson Convention & Visitors Bureau and the U.S. Forest Service. Currently under construction are the Evo A. Deconcini Federal Courthouse and a \$2.7 million expansion and renovation of the Tucson Art Museum.

Transportation, Communications, and Public Utilities

The opening in late summer of a **new Warner Bros. Network station**, Channel 58, is expected to **create 35 jobs**. Among the positions needed to be filled are technicians, and production, sales, and promotion personnel.

Trade

CompUSA will employ 75 workers when its first Tucson store opens in June. The store is located in the North Mall Center.

Statewide

Mining

About **450 copper miners near Globe were laid off** in February by **BHP Copper** because of falling copper prices. The layoffs represent 75 percent of BHP's total employment. For the Globe-Miami area, it was the worst economic news in 15 years. Eighty percent of the area's jobs are related to mining. More layoffs could occur if the price of copper remains low.

Manufacturing

Thermal Control Technologies plans to build a **plant in Prescott** that will employ 50 people. The Canadian cooling-device manufacturer will locate its 30,000-square-foot facility near the Prescott Municipal Airport.

Government

The **Immigration and Naturalization Service** will be **adding 190 border guards in Arizona**, for a total of 1,242. Of the 190, 140 will be stationed in the "Tucson sector." That sector will now have more border guards than any area except San Diego.

Trade

Sierra Vista may be getting its **first indoor shopping mall**. Sears and Dillard's have signed letters of intent to be part of the mall, which will be developed by Price-Herring LLC. The mall has the approval of the mayor and city council.

Wal-Mart will build a **"supercenter" in Show Low**. Cohen Contracting Inc. will be the builder for the store expected to open in September. Wal-Mart also wants to build Supercenters in Payson and Chandler, but opposition to the locations has held up zoning approval. **AET**

State Job Growth Expected to 'Moderate'

(continued from page 13)

As would be expected with a general slowing economic trend, RA forecasts FIRE to "cool" from its 8 percent pace of 1997 to 4.7 percent in 1998 and just 2.9 percent in 1999. In sum, nearly 10,000 more jobs are expected in this group through the '98-'99 period.

Even in the worst economic years of the last decade, Arizona's trade industry lost no jobs and enjoyed especially bountiful job growth in the '90s. The fastest growth rate of 8.1 percent occurred in 1994, and since then the industry has showed a general slowing trend, to 3.7 percent in 1997. RA projects this industry to expand by 3.5 percent in '98 and 3.1 percent for '99, adding slightly more than 32,000 jobs. While jobs grew throughout the components of this group, food stores now appear to be poised for an onslaught of competition-related losses.

Population Influx Will Fuel Government Jobs

Last, though certainly not least, Arizona's government sectors have also shown job gains in recent years to meet the needs of a fast growing population. Public services, especially education, have been under strain as Arizona's population experienced a well above-average — even for Arizona — infusion of immigrants during the '90s. Data collected by the Arizona Department of Motor Ve-

hicles revealed the bulk of people entering Arizona were still largely coming from California. Other anecdotal data accounting for the population movement into Arizona come from a report produced by Allied Van Lines. Allied's report of 1997 one-way movers (typically permanent relocations), moved up Arizona from being ranked No. 10 in 1996 to No. 3 in 1997 for inbound relocations. This healthy supply of labor has not only added to nonfarm payroll jobs, but increased demand for public services. Overall, government jobs for 1997 showed an annual gain of 1.8 percent. RA's two-year forecast shows an increase of another 14,100 jobs, averaging roughly 2 percent growth each year.

In summary, Research Administration forecasts Arizona's economy to sustain a healthy cyclical slowing trend over the next two years. While there exists some international risks, there are as well a host of accompanying opportunities being offered. As was the case with our neighbor Mexico, just a few years ago, economic resurgence will return to the Asian community, perhaps at an even faster pace than some now expect, judging from recent experiences with Mexico and the general health of the national economy. Overall, RA anticipates the next couple of years to bring slowing growth, but new employment records in many industries. **AET**

— Don Wehbey,
RA Economist



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